Flipping the Classroom to Up our Game

HEC Montréal

April 29, 2016

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Slides will be posted at

www.navigatingaccounting.com/presentation/presentations
Shared Responsibility Means Shared Credit

“We” Make Great Learning Experiences
What is flipping?

“Students gain first exposure to new material outside of class, usually via reading or lecture videos, and then use class time to do the harder work of assimilating that knowledge, perhaps through problem-solving, discussion, or debates.”
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Traditional Class

Thinking skills covered during class

Before class

During class

Flipped Class

Thinking skills covered during class

Before class

During class
We’re asking students to
- Do more work before class
- Participate at a higher-level in class
- Master tougher material for exams

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Building Blocks

1. Robust concepts and frameworks
2. Rich applications
3. Detailed course maps
4. Enabling technology
5. Effective motivation
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Overarching Course Goals

Help students develop

- Robust conceptual frameworks they can apply to navigate complexity and uncertainty throughout their careers
- Relationship skills and attitudes that promote effective and rewarding interactions with others
- A passion for life-long learning and strategies to learn on their own

“A full 90 percent of all the data in the world has been generated over the last two years.”

http://www.sciencedaily.com/releases/2013/05/130522085217.htm
“I wouldn’t give a fig for the simplicity this side of complexity but I’d give my life for simplicity on the far side of complexity”

Oliver Wendell Holmes
SIMPLICITY ON THIS SIDE OF COMPLEXITY

Simple but shallow

Perception

SIMPLICITY ON THE FAR SIDE OF COMPLEXITY

Simple yet deep

Reality
Success Factors

- Internalize concepts
- Apply concepts repeatedly in diverse contexts
SIMPlicity on the FAR SIDE OF COMPLEXITY

Simple yet deep

Robust concepts and frameworks

Rich applications
Real Phenomena

Creative & Persuasive

Relationship Skills

Structuring Expertise

Core Competencies of Highly Successful Scholars

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Find the Healthy Tension Between Teaching and Research
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Pathways Commission Vision Model

- Inclusive
- Interdependent elements
- Simple, yet deep
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Pathways Commission Vision Model

Outsiders

Insiders

Reporting entity
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Learning Framework

Step 1
What do I see on the surface?

Step 2
What's behind what I see?

Step 3
How do I use what I see and my understanding of what’s behind what I see?
Step 2

Accounting Decision Map
Step 3
Analysis
Consideration Map

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Flipping Process: Guidance

Before class | During class | After class

COURSE MAP

ACCT 1021: INTRODUCTION TO FINANCIAL ACCOUNTING - FALL 2014 BOSTON COLLEGE

PETE AND CAROLYN WILSON
FULTON 552A, 617-552-1963
WILSON.GP@BC.EDU
16th Session

Pre-class work

Begin to learn terms and concepts from on-line texts/videos

Apply concepts to fictitious companies

Learn how to locate and interpret real-company disclosures

Apply concepts to real companies

Session 16: Customer-related allowances: Bad debts

Read
We have yet to create videos for customer-related allowances. However, these topics are covered in a written document, Revenue and Customer-Related Balance Sheet Concepts, along with other topics we will not be covering in this course:


- Skim: pages 4-8 (starting with Risks and Risk Sharing)
- Skim: pages 10-11 (starting with Accounting Implication of Risks)
- Skim: page 16 (through to the start of Discounts for Early Payments)
- Skim: pages 18-19 (return to the assumptions as needed to comprehend the examples)
- Grasp: pages 20-21 (parts (a) and (b) of the example – no collateral)
- Skim: pages 21-22 (parts (d) and (e) of the example – collateral)
- Master: page 22 (part (f) of the example – connection to credit risk)
- Skim: pages 22-23 (starting with Recovering Write-offs)
- Master: pages 23-26 (starting with Example)

Do

Practice exercises – Within course scope, but not discussed in class

- Exercise rv.wbn.rec.010 – Bischoff and Intel
  http://www.navigatingaccounting.com/exercise/exercise-rvwnrec010
- Exercise rv.wbn.rec.030 – Neal Company
  http://www.navigatingaccounting.com/exercise/exercise-rvwnrec030

Read

- Grasp: pages 27-30 (through Measuring and Calibrating Credit Risk)
- Skim: remainder of page 30 and page 31

Do

Assigned exercise – highest priority for class discussion

- Exercise rv.wbn.rec.020 – HP
16th Session

- **Sample**: Basic assessment
- “Know what you don’t know”
- **Respond**: Mini-lectures
- Concepts
- Homework problems
- **Apply and Extend**: Problem solving
- New context
- More complex context
- **Discuss**: Related risks & judgments
8th Session

Pre-class work

Session 8: Group assignment 2 – Analyzing financial performance

Things you should do to prepare for class

Read

- Group Assignment Policies [11 pages]

  Follow these important guidelines for preparing, submitting and presenting group reports.

Do

Assigned exercise – highest priority for class discussion

- Exercise is.hun.afp.040

  Topics: analyzing income statements and financial performance

  Companies: Coca-Cola & PepsiCo

The guidance for the group assignments is in the exercises
Students are to use the Toulmin Model of Argumentation

Which company, Coke or Pepsi, appears to have the better future prospects: expected future ROEs, growth rates and risks?

Analysis Consideration Map not completed by Session 8
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Flipping Process: Guidance for Analysis Days

**Part I: Your qualified claim and opening remarks**

Fill in the blank with either Coke or Pepsi:

________________________ appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks.

**Qualifiers:**

Put an X at the spot on the scale below that indicates the likelihood your claim is correct, given the available information and concepts covered thus far.

![Qualifiers Scale](http://www.youtube.com/watch?v=gH0v2_hX0Iw)

**Part II: Your arguments**

Provide no more than three arguments in support of your claim in the space provided below, numbered and arranged according to your assessment of their strength (from strongest to weakest).

**Part III: Your counterarguments and rebuttals**

Provide no more than three counterarguments to your claim, numbered and arranged according to your assessment of their challenge to the claim (from strongest to weakest). If possible provide rebuttals immediately below each counterargument.
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Flipping Process: Guidance For Analysis Days

Qualitative inputs based mostly on quotes from earnings conference call transcripts, annual reports and media articles

Quantitative inputs based mostly on balance sheets, income statements and footnotes

Cash flow statement not covered by session 8
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Flipping Process: Guidance For Analysis Days

Analysis Consideration Map - Phase 2

Qualitative information about past performance
Use qualitative information about business activities that already affect the financial statements to assess the extent to which the ratios and related trends are likely to persist in the future.

Qualitative information about expected future changes
Use qualitative information about changes in plans or circumstances or other factors that have not yet affected the financial statements to assess the extent to which the ratios and related trends will likely change.

- Income statements
- Balance sheets
- Profit margins
- Asset turnover
- Financial leverage
- Tax factor
- Common size IS
- Balance sheets
- Financial leverage
- Asset risk other than liquidity risk
- Common size BS
- Balance sheets
- Working capital
- Current ratio
- Income statements
- Revenue growth

Forecasted ROEs
Forecasted risks
Forecasted growth
John Faucher - JPMorgan Chase & Co. - Analyst

“... responding to Gary’s question about ramping up the marketing, ... there’s a sense out there in the market that given the headwinds for the category, that adding more marketing could be pushing on a string, so to speak. So what is it that you’re seeing that says these headwinds that you are facing can be offset with higher marketing? Thanks.”

Muhtar Kent - The Coca-Cola Co - Chairman & CEO

“John, I'll just tell you very simply that the Coca-Cola way is to grow our way to success. We invest for growth together with our bottling partners and we have the greatest system in the world.

We have a tremendous amount of experience to say that good marketing, good selling works for our Business. And it will work for our business. We have numerous cases to prove that.

We’re going to continue to build on our marketing in both quantity and quality. This is a global increase in marketing.

In every country that we operate in, large or small, we know it works. When we invest in marketing, our global partners invest in feet-on-the-street, in more coolers, in more trucks, in more [lines], and that’s what we see happening. That’s what we will see, we believe, happening to our Business as we restore steady momentum in through 2014 and beyond.”
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#### Flipping Process: Guidance For Analysis Days

### Comparing Income Statements and Select Performance Ratios

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME STATEMENTS</strong></td>
<td>$73,542,000</td>
<td>$79,253,000</td>
</tr>
<tr>
<td><strong>Cost of goods or services sold</strong></td>
<td>$55,423,000</td>
<td>$61,026,000</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$18,119,000</td>
<td>$18,227,000</td>
</tr>
<tr>
<td><strong>Other operating income and (expenses)</strong></td>
<td>$12,609,000</td>
<td>$14,877,000</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>$30,728,000</td>
<td>$33,104,000</td>
</tr>
<tr>
<td><strong>Profit before taxes</strong></td>
<td>$30,728,000</td>
<td>$33,104,000</td>
</tr>
<tr>
<td><strong>Income tax refund and (expense)</strong></td>
<td>$2,835,000</td>
<td>$3,723,000</td>
</tr>
<tr>
<td><strong>Net profit (loss) from continuing operations</strong></td>
<td>$27,893,000</td>
<td>$29,381,000</td>
</tr>
</tbody>
</table>

#### SELECTED FINANCIAL DATA

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average owners’ equity</strong></td>
<td>$12,305,000</td>
<td>$14,290,000</td>
</tr>
<tr>
<td><strong>Income tax rate</strong></td>
<td>18.7%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

#### ROIC

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return on investment (ROI)</strong></td>
<td>12.9%</td>
<td>14.2%</td>
</tr>
</tbody>
</table>

#### Level 1: Comprehensive Income Statement

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>$27,893,000</td>
<td>$29,381,000</td>
</tr>
</tbody>
</table>

#### Level 2: Profit Before Income Statement

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before income</strong></td>
<td>$30,728,000</td>
<td>$33,104,000</td>
</tr>
</tbody>
</table>

#### Level 3: Income Statement

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$46,854,000</td>
<td>$51,017,000</td>
</tr>
</tbody>
</table>

#### Level 4: Income Statement

<table>
<thead>
<tr>
<th>Year ended Dec.</th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td>$37,615,000</td>
<td>$41,216,000</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$9,239,000</td>
<td>$9,801,000</td>
</tr>
<tr>
<td><strong>Operating income and (expenses)</strong></td>
<td>$18,471,000</td>
<td>$20,487,000</td>
</tr>
<tr>
<td><strong>Net profit from continuing operations</strong></td>
<td>$27,893,000</td>
<td>$29,381,000</td>
</tr>
</tbody>
</table>

**Note:** The table above provides a comparative analysis of income statements and select performance ratios between Coca-Cola Company and PepsiCo, Inc. for the fiscal year ended December 2013. The data includes key financial metrics such as net revenues, cost of goods sold, gross profit, operating income, profit margins, and income tax rates. The analysis is conducted to highlight the performance and financial health of both companies.
Survey groups’ initial claims
Discuss supporting arguments, counterarguments and rebuttals
Survey groups’ ending claims
Ask students what they learned?
#1 Goals drive everything

- Robust conceptual frameworks students can apply to navigate complexity and uncertainty throughout their careers
- Relationship skills and attitudes that promote effective and rewarding interactions with others
- A passion for life-long learning and strategies to learn on their own
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Take Aways

#2 Use building blocks to meet goals

1. Robust concepts and frameworks
2. Rich applications
3. Detailed course maps
4. Enabling technology
5. Effective motivation
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Take Aways

#3 Seek simplicity on the far side of complexity

“I wouldn’t give a fig for the simplicity this side of complexity but I’d give my life for simplicity on the far side of complexity”

Oliver Wendell Holmes
#4 Use robust concepts and rich applications
#5 Develop competencies for effective scholarship
#6 Make great music with your students
# 7 We don’t need to be composers …

to create great music and make a difference.
QUESTIONS OR COMMENTS